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MUNICIPAL INFRASTRUCTURE AND IDP HOUSING REHABILITATION PROJECT

Quarterly Report Year 1: 1st Quarter (May - June 2011)

CONTRACT: AID-EDH-I-00-08-00027-00, TASK ORDER: AID-114-TO-11-00002

10 JULY 2011

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July 10, 2011

Mr. Bradley Carr
Water Irrigation and Infrastructure Advisor
Office of Economic Growth
US Agency for International Development
11 George Balanchine Street
Tbilisi, 0131
Georgia

Re: First Year Work Plan for the Municipal Infrastructure and IDP Housing Rehabilitation Project

Dear Mr. Carr:

This report is being submitted to you in accordance with the requirements of task order no. AID-114-TO-11-00002 of contract AID-EDH-1-00-08-00027-00. It provides Tetra Tech's Quarterly Report Year 1: 1st Quarter (May - June 2011) for the Municipal Infrastructure and IDP Housing Rehabilitation Project.

We look forward to your review and welcome your comments and suggestions.

Very truly yours,

A handwritten signature in black ink, reading 'Jeffrey W. Fredericks', enclosed in a thin black rectangular border.

Jeffrey W. Fredericks, P.E., PhD
Chief of Party
Tetra Tech, Inc.
USAID/ Caucasus – Municipal Infrastructure and IDP Housing Rehabilitation Project (GMIP)
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Email: Jeff.Fredericks@tetrattech.com

CC: USAID (George Kokochashvili); MDF (Kartlos Gviniashvili); Tetra Tech (Firouz Rooyani, Dean White, Tom Chicca, Illia Elishvili)

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ACRONYMS

CCN	Cooperating Country National
CFR	Code of Federal Regulations
CO	USAID Contracts Office
COP	Chief Of Party
DCOP	Deputy Chief Of Party
DRC	Danish Refugee Council
EA	Environmental Assessment
EC	European Commission
EIA	Environmental Impact Assessment
EPI	Economic Prosperity Initiative USAID Project
ESS	Environmental Scoping Statement
GEL	Georgian Lari
Geo	Geo Ltd
GMIP	Municipal Infrastructure And IDP Housing Rehabilitation Project (the project)
GoG	Government of Georgia
HO	Home Office
ICRC	International Committee of the Red Cross
IDP	Internally Displaced Persons
IL	Implementing Letters
Kav	Kavgioprotransi-Mg Ltd
KfW	Kreditanstalt für Wiederaufbau (German International Development Banking Agency)
LTTA	Long Term Technical Assistance
MDF	Municipal Development Fund
MoLHSA	Ministry of Labor Health and Social Affairs
MoRDI	Ministry of Regional Development and Infrastructure
MRA	Ministry of Refugee Affairs
MRDI	Ministry of Regional Development and Infrastructure
NEO	New Economic Opportunities (USAID Project)
NGO	Non-Government Organization
NTP	Notification to Proceed
PE	Licensed Professional Engineer
PEA	Programmatic Environmental Assessment
PMC	Project Management Committee
PMP	Performance Monitoring Plan
SDC	Swiss Agency for Development and Cooperation
SIDA	Swedish International Development Corporation Agency
SOW	Scope of Work
STTA	Short Term Technical Assistance
TBD	To Be Determined
TOCOTR	USAID Task Order Cognizant Technical Officer
Tt	Tetra Tech EM Inc.
UNHCR	United Nations High Commissioner for Refugees
UNTC	United Nations Treaty Commission
USAID	United States Agency For International Development
USG	U.S. Government
WB	World Bank

I. INTRODUCTION

I.1 Authorization

Under the United States Agency for International Development (USAID)/ Caucasus – Municipal Infrastructure and IDP Housing Rehabilitation Project (GMIP) Contract No. AID-EDH-I-00-08-00027-00 Order No: AID-I14-TO-I 1-00002, Tetra Tech EM Inc. (Tt) is responsible for providing support to monitor current processes and practices, identify and mitigate areas of risk, and carry out oversight and quality control efforts to ensure that selected municipal and IDP infrastructure projects are implemented effectively and in accordance with U.S. and Georgian standards and regulations.

The period of performance for the contract is May 23, 2011– November 22, 2013.

I.2 Purpose of Report

The purpose of this report is to summarize progress of the major activities during the Quarter 1 (May – June 2011), indicating any problems encountered and steps taken to resolve them or proposing remedial actions as appropriate. The report identifies any problems, delays, or adverse conditions that materially impair Tt's ability to meet the requirements of the contract.

I.3 Components

The project includes three major components and two subcomponents:

1. Component 1: Municipal Infrastructure
2. Component 2: Rehabilitation Of Irrigation Infrastructure
3. Component 3: IDP Durable Housing
 - a. Subcomponent 1: Provide Water And Sanitation Upgrades For IDP Cottage Housing For IDPS From The August 2008 Conflict
 - b. Subcomponent 2: Provide Durable Housing Solutions For IDP From 1990s Conflict

2. ACCOMPLISHMENTS DURING THE REPORT PERIOD

Activities carried out during the report period included:

Mobilization:

Note to proceed (NTP) was issued on 23 May 2011. Immediately following the NTP, Tt dispatched Dean White (President Tetra Tech ES, Corporation Response Officer) and David Sharashenidze (Tt ES Home Office Coordinator). Key personnel Ilia Eloshvili, Infrastructure Manager and DCOP) and Teimuraz Levanishvili (Housing Rehabilitation Manager) were brought on board. Kick off meeting was held on 7 June. Chief of Party, Jeff Fredericks, arrived in Tbilisi, Georgia on 20 June. Project staff moved into the Tt GMIP office on 27 June.

A Project Management Committee (PMC) was formed. The PMC includes representatives from USAID, Municipal Development Fund (MDF), and Tt. Regular weekly meetings (Wednesday) are being held at MDF to discuss project activities and progress.

Rapid Appraisal and Selection of Rehabilitation Projects:

Report of Rapid Appraisal of Proposed Infrastructure Subprojects was submitted to USAID within 15 days of the award. It was carried out from 23 May to 10 June 2011. Based on the results of this rapid appraisal, Tt determined that the program was ready for aggressive implementation. The program offers impressive opportunities to address infrastructure weaknesses and thus capture important benefits (e.g., restoration of agricultural land to productivity, helping improve housing for the dislocated) while also helping to strengthen capabilities in the government (at the MDF) and in the local environment.

Environmental Scoping Statements

Dr. James Gallup, Senior Environmental Specialist carried out STTA from 13-17 June to initiate technical support on Components 1 and 2 Environmental Scoping Statements and the Component 3 Programmatic Environmental Assessment (PEA).

Environmental scoping statements to determine the range of alternatives and identify the potentially significant issues to be analyzed in-depth in follow-on environmental impact assessments are being carried by MDF through two separate contracts. One contract is with Kavgioprotransi-Mg Ltd (Kav) for Component 1 & 2 and one contract for Component 3 is with GEO Ltd. Tt is reviewing the scoping statement deliverables produced by the MDF contractors and providing appropriate technical input in order to secure successful finalization of the scoping process.

Tt staff attended the GEO stakeholder meeting on Cottage Communities (Comp 3a) held in Teliani on 23 June and the Durable Housing (Comp 3b) held in Kutaisi on 29 June.

Project Design Study

This phase is ongoing. Two important contracts for implementation of the project have been signed between the MDF and Ltd Kavgioprotrance (contract no. USAID/NS/02 2011 with a period of performance from May 18th to June 29th 2011) and between the MDF and Geo Ltd. (contract no. USAID/NS/01-2011 with a period of performance from 18th May through the 18th of July, 2011).

There are 11 projects under preparation by Ltd Kavgioprotrance under Components 1 and 2. These include eight proposed by the municipal governments and the three irrigation schemes: Saltvisi, Tirifoni, and Lamiskana.

Geo Ltd. is investigating the two sub-components under component 3: a) to provide water and sanitation upgrades for nearly 4,000 houses in 11 cottage housing communities for IDPs from the August 2008 conflict; b) provide durable housing solutions for IDPs from 1990s Conflict. Initially 118 building were identified for review for USAID rehabilitation under component 3b. The list now totals 162 buildings.

Tt is monitoring and reviewing activities on the two contracts. The status of the contracts is given in the table below:

Deliverables	Contractual delivery date	Initial delivery	TT comments	Final delivery	TT final recommendation for approval
GEO					
A	20/05/11	submitted	provided	not submitted	Not approved
B	24/05/11	submitted	provided	not submitted	Not approved
C	27/05/11	submitted	provided	not submitted	Not approved
D	27/05/11	not submitted		not submitted	Not approved
E	7/06/2011	not submitted		not submitted	Not approved
F	N/A	conducted		Done	approved
G	29/06/11	not submitted		not submitted	Not approved
"Kavgioprotransi-MG"					
A	20/05/11	submitted	provided	not submitted	Not approved
B	24/05/11	submitted	provided	submitted	under review
C	27/05/11	submitted	provided	not submitted	Not approved
D	27/05/11	submitted	provided	not submitted	Not approved
E	7/06/2011	submitted	provided	not submitted	Not approved
F	N/A	conducted		Done	Not approved
G	29/06/11	not submitted			Not approved
H	13/07/11	Not due			

Coordination with Other Donors and Technical Assistance Activities

Tt staff participated in the following meetings during the quarter:

- COP attended the USAID Partners Meeting held on 28 June at USAID.
- An introductory meeting was held on 30 June at USAID with Chemonics staff from the USAID New Economic Opportunities (NEO) Project.

Reports and Deliverables

The following reports and deliverables were prepared during the reporting period:

Report		Date
A.	Report of Rapid Appraisal of Proposed Infrastructure Subprojects	June 6 2011
B.	Bi-Weekly Meetings and Reporting	As required

3. ACTIVITIES PLANNED FOR NEXT QUARTER

General

Environmental Assessment

The following activities are planned for next quarter:

- James Gallup and Karen Menzer, Senior Environmental Specialists will carry out assignments in August to support the environmental assessment activities.
- Review the scoping statement deliverables produced by MDF contractors for Components 1& 2 and 3. Provide appropriate technical input in order to secure successful finalization of the scoping process.
- Prepare Programmatic Environmental Assessment (PEA) for Component 3.
- Initiate Environmental Assessments (EA) for Components 1 & 2, if required.
- Develop an outreach plan for component 3

Planning and General Activities:

The following activities are planned for next quarter:

- Evaluate needs and provide capacity building training for the MDF in project implementation as well as beneficiaries tasked with operating and maintaining project infrastructure and IDP housing.
- Continue review of existing information, feasibility studies, technical surveys, environmental studies, and other relevant studies and analysis.
- Assist USAID & MDF in finalizing project selection.
- Continuous monitoring of all project activities including MDF and their contractors, and timely notification to USAID and MDF of the status of USAID funding.

Design Phase

The following activities are planned for next quarter:

- Assist MDF in initiating procurement activities for design phase ie cost estimates, requests for proposals, and invitations for bid.
- Continuous monitoring of all project activities including MDF and their contractors, and timely notification to USAID and MDF of the status of USAID funding.

Branding Implementation Plan and Marking Plan

Business cards, letterhead, office sign, etc. will be prepared in accordance with the approved USAID Branding and Marking Plan. A project fact sheet will be prepared and collection of information for preparation of a success story will be initiated.

Reports and Deliverables

The following reports and deliverables are planned for next quarter:

Report	Date
B. First Year Work Plan	7 July
C. Bi-Weekly Meetings and Reporting	As required
E. Quarterly Progress Reports	10 July
G. Programmatic Environmental Assessment (PEA)	1 September
H. Performance Monitoring Plan (PMP)	7 July

4. PROBLEMS AND ISSUES

The two MDF contractors are behind in their progress and their deliverables. GEO has requested an extension. Delays in submission of the environmental scoping documents could affect the preparation of the Component 3 PEA and delay a determination on the need for EIAs for Components 1 & 2. Delays in submission of the technical feasibility reports could delay the selection of the final projects to be included for final design. Tt is working with MDF and the two contractors to provide support, clarification, review and guidance to ensure that the contracts are completed as soon as possible and in a manner that meets USAID & MDF standards and requirements.

Based on the rapid appraisal and activities carried out during the preparation of the work plan, the following issues and potential risks were identified:

1. The program has the potential of achieving important successes that are measurable and directly observable. There is no 'free rider' effect – that is, without USAID involvement, it is doubtful that much progress on these projects would be achieved, especially not within the same time frame.
2. The program has been designed with a tight schedule and fixed budget. Each phase is dependent on the previous phase. Project selection is dependent on the results of the environmental scoping and feasibility studies that are currently being carried out by two local consultants. The results of the scoping tasks will be used by Tt in the preparation of the Program Environmental Assessment (PEA) for the IDP component and site specific EAs (if required) and/or risk mitigation plans for the municipal infrastructure component. The PEA and EAs will be required to be completed before moving to the design phase. Therefore delays in one phase could have a cascading effect that would delay the next phase and ultimately delays in project implementation.
3. There are major coordination requirements, and opportunities for collaboration, with other USAID initiatives and possibly other donor programs. It will be important for the team to liaise rapidly, to begin this coordination process.
4. Certain elements of the program, such as the quality selection criteria required for goods and services under the implementing letters will need very close analysis to ensure that the MDF and local market are able to understand and implement these provisions effectively (and transparently). Of the various program components, the IDP durable housing will be the most complicated component to address. The issues surrounding IDPs and the intense sensitivity of IDPs, their interaction with each other and with broader non-IDP communities, can be complicated and require careful consideration throughout to avoid possible problems during implementation and even outright conflict. Cooperation on the early stages between MIR/MDF and USAID to identify, anticipate and plan actions required to mitigate risks for all possible issues will be essential for final success.
5. The MDF is an effective program counterpart. No other government structure is better suited for managing this program. At the same time, it is recommended that the review of the MDF that determined its suitability for host country contracting be examined by Tt as it may shed insight into certain areas within the MDF that require closer monitoring and support.
6. Once again, as the project selection elements move forward, it will be important to reassess the risks associated with the specific package of projects selected for implementation. It is only at that stage that a full risk assessment can be completed with mitigation measures identified throughout.

7. Specialist support is needed rapidly in key areas, especially the environment, to work with the MDF and its contractors, to ensure that the results of such work are supportive of the program needs and of sufficient quality. This is a critical path item. There are also some indications that an EIA study will be required for Component 2. This could delay implementation of this component.
8. USAID, MDF must secure investments by long term proper maintenance. Tt will liaise with appropriate government entities and state owned companies, responsible for sustainability of the upgraded infrastructure and will conduct capacity building exercises, trainings where possible.
9. Having completed a review of the program and launched program activities, it is also important to examine again the capabilities of the team of specialists proposed on the Tt team to ensure alignment with the program needs. The team of specialists proposed by Tt should be well suited to this program and have the range of capabilities that are going to be required for program monitoring, oversight and support. No capability gaps are evident at this time.
10. In Tt's opinion the program is ready for aggressive implementation. The program offers impressive opportunities to address infrastructure weaknesses and thus capture important benefits (e.g., restoration of agricultural land and municipal infrastructure service to productivity, helping improve housing for the dislocated) while also helping to strengthen capabilities in the government (at the MDF) and in the local environment.
11. The project selection is part of the studies that are currently underway. Parties should consider carefully the time factor and must ensure that, in the expected period of time when the studies are supposed to be finished, the content and quality will be sufficient to allow the project to continue successfully to the next phases of the program.

5. STAFF LEVEL OF EFFORT

The GMIP LTTA and STTA professional, technical, and administrative support staff for the quarter are shown below:

RESIDENT STAFF

NAME	POSITION
Jeffrey Fredericks, P.E. PhD	Chief of Party
Ilia Eloshvili	Infrastructure Manager & DCOP
Teimuraz Levanishvili	Housing Rehabilitation Manager,
Mamuka Shaorshadze	Environmental Specialist
Archil Lezhava	Displaced Person Relations/Outreach
George Nizharadze	Office Operations Manager
Irakli Kakulia	Paralegal/Licensing & Permits

SHORT TERM STAFF DURING THE REPORT PERIOD

NAME	POSITION
David Sharashenidze	Home Office Coordinator
James Gallup, P.E. PhD	Environmental Specialist,